

Presentment Date & Time: June 11, 2019 at 10:00 a.m. (Eastern Time)

Objection Deadline: June 10, 2019 at 4:00 p.m. (Eastern Time)

Hearing Date & Time (Only if Objection Filed): To be Scheduled

WEIL, GOTSHAL & MANGES LLP

767 Fifth Avenue

New York, New York 10153

Telephone: (212) 310-8000

Facsimile: (212) 310-8007

Ray C. Schrock, P.C.

Jacqueline Marcus

Garrett A. Fail

Sunny Singh

Attorneys for Debtors

and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	:	
In re	:	Chapter 11
	:	
SEARS HOLDINGS CORPORATION, et al.,	:	Case No. 18-23538 (RDD)
	:	
Debtors.¹	:	(Jointly Administered)
	:	
-----X		

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); SR – Rover de Puerto Rico, LLC (f/k/a/ Sears, Roebuck de Puerto Rico, Inc.) (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

**NOTICE OF PRESENTMENT OF
STIPULATION AND ORDER CONCERNING
THE RESOLUTION OF CERTAIN SECTION 507(b) CLAIMS**

PLEASE TAKE NOTICE that on **June 11, 2019 at 10:00 a.m. (Eastern Time)**, the attached Stipulation and Order Concerning the Resolution of Certain Section 507(B) Claims (the “**Stipulation**”) will be presented to the Honorable Robert D. Drain, in the United States Bankruptcy Court for the Southern District of New York, located at 300 Quarropas Street, White Plains, New York 10601 (the “**Bankruptcy Court**”) for approval and signature.

PLEASE TAKE FURTHER NOTICE that any responses or objections (“**Objections**”) to the Stipulation shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, shall be filed with the Bankruptcy Court (a) by attorneys practicing in the Bankruptcy Court, including attorneys admitted *pro hac vice*, electronically in accordance with General Order M-399 (which can be found at www.nysb.uscourts.gov), and (b) by all other parties in interest, on a CD-ROM, in text-searchable portable document format (PDF) (with a hard copy delivered directly to Chambers), in accordance with the customary practices of the Bankruptcy Court and General Order M-399, to the extent applicable, and shall be served in accordance with General Order M-399 and the *Amended Order Implementing Certain Notice and Case Management Procedures*, dated October 17, 2018 (ECF No. 405), so as to be so filed and received no later than **June 10, 2019 at 4:00 p.m. (Eastern Time)** (the “**Objection Deadline**”).

PLEASE TAKE FURTHER NOTICE that, if a written Objection is timely filed and served, a hearing (the “**Hearing**”) will be held to consider the Stipulation before the Honorable Robert D. Drain in the Bankruptcy Court on a date to be announced.

PLEASE TAKE FURTHER NOTICE that if an Objection to the Stipulation is not received by the Objection Deadline, the Bankruptcy Court may enter an order granting the relief sought without further notice.

Dated: June 2, 2019
New York, New York

/s/ Sunny Singh
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Ray C. Schrock, P.C.
Jacqueline Marcus
Garrett A. Fail
Sunny Singh

*Attorneys for Debtors and
Debtors in Possession*

**Proposed Stipulation and Order Concerning
the Resolution of Certain Section 507(B) Claims**

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:)	Chapter 11
)	
SEARS HOLDINGS CORPORATION, <i>et al.</i> ,)	Case No. 18-23538 (RDD)
)	
)	(Jointly Administered)
Debtors. ¹)	

**STIPULATION AND ORDER CONCERNING
THE RESOLUTION OF CERTAIN SECTION 507(b) CLAIMS**

This Stipulation and Order Concerning the Resolution of Certain Section 507(b) Claims (the “**Stipulation**”), by and among Sears Holdings Corporation and its debtor affiliates, as debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”) and Wilmington Trust, National Association, as Prepetition Second Lien 2018 Indenture Trustee² and as Prepetition Second Lien Collateral Agent (“**Wilmington Trust**”), Cyrus Capital Partners, L.P. (“**Cyrus**”) and ESL Investments, Inc. and certain of its affiliated entities (including JPP, LLC and JPP II, LLC) (collectively, “**ESL**”; together with Cyrus and Wilmington Trust, “**Second Lien Parties**”; together with the Debtors, the “**Parties**”) dated as of this 2nd day of June 2019.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); SR – Rover de Puerto Rico, LLC (f/k/a Sears, Roebuck de Puerto Rico, Inc.) (3626); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors’ corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the *Final Order (I) Authorizing the Debtors to (A) Obtain Post-Petition Financing, (B) Grant Senior Secured Priming Liens and Superpriority Administrative Expense Claims, and (C) Utilize Cash Collateral; (II) Granting Adequate Protection to the Prepetition Secured Parties; (III) Modifying the Automatic Stay; and (IV) Granting Related Relief* (the “**Final DIP Order**”) [Dkt. No. 955].

RECITALS

WHEREAS on November 30, 2018, the Final DIP Order was entered;

WHEREAS, pursuant to Section 507(b) of the Bankruptcy Code, the Final DIP Order grants, as adequate protection of the interests of the Second Lien Parties, the Prepetition Second Lien Adequate Protection Liens and Prepetition Second Lien Facilities Adequate Protection Claims (collectively, the “**Section 507(b) Claims**”);

WHEREAS on May 26, 2019, the Debtors filed the *Motion to Estimate Certain 507(b) Claims for Reserve Purposes* [Dkt. No. 4034];

WHEREAS on May 28, 2019, the Second Lien Parties submitted a letter to the United States Bankruptcy Court for the Southern District of New York (the “**Court**”) proposing that their Section 507(b) Claims be resolved by a motion under Bankruptcy Rule 3012 rather than by an estimation proceeding;

WHEREAS a scheduling conference regarding the motion and the Second Lien Parties’ requested relief was held before the Court on May 29, 2019; and

WHEREAS the Parties have determined to resolve the 507(b) Claims on the terms and conditions set forth herein;

NOW THEREFORE, based upon the foregoing recitals, which are incorporated as though fully set forth herein, it is hereby Stipulated and Agreed, and upon Court approval it shall be ordered, as follows:

1. The Debtors’ request with respect to its request for estimation is hereby withdrawn and the Debtors’ motion is deemed to be a motion pursuant to Bankruptcy Rule 3012 to determine the amount, if any, of the Second Lien Parties’ Section 507(b) Claims and, pursuant to Section 506(c) of the Bankruptcy Code, for a surcharge upon the collateral securing the Second Lien Parties’ claims (the “**Rule 3012 Motion**”).

2. All Parties shall respond to any reasonable request for information for purposes of preparing the expert reports referred to in paragraphs 3 and 4 below within three (3) business days of any such request.

3. The Second Lien Parties shall file their superpriority administrative expense claims pursuant to Section 507(b) of the Bankruptcy Code and requests for determination of the amount of their secured claims, supporting expert reports and a memorandum of law in support of such claims, including their response to the Debtors' request for a 506(c) surcharge, by no later than Tuesday, June 18, 2019.

4. Any responses in opposition and opposing expert reports (collectively, the "Responses") shall be filed by no later than Thursday, June 27, 2019.

5. The Second Lien Parties shall file their replies to the Responses by no later than Wednesday, July 3, 2019.

6. Depositions of the Second Lien Parties' experts shall take place between Thursday, June 27, 2019 and Wednesday, July 3, 2019.

7. Depositions of any experts of the opponents to the relief requested shall take place on Wednesday, July 10, 2019 and Thursday, July 11, 2019.

8. Simultaneous exchange and submission of direct testimony from all Parties and final supplemental briefing addressing expert discovery shall take place at Noon Eastern time on Monday, July 15, 2019.

9. A hearing on the Rule 3012 Motion shall commence at 10:00 a.m. ET on Thursday, July 18, 2019, or such other time as shall be set by the Bankruptcy Court.

10. The above schedule may be modified only pursuant to an agreement of the Parties (which may be confirmed by email) or by the Bankruptcy Court for good cause shown.

11. This Stipulation may be executed in one or more counterparts, including facsimile or electronic counterparts, all of which together shall constitute one and the same instrument.

12. The Bankruptcy Court shall retain jurisdiction to resolve any disputes or controversies arising from this Stipulation.

IN WITNESS WHEREOF, this Stipulation has been executed and delivered as of the date first above written.

Dated: New York, New York
June 2, 2019

SEYFARTH SHAW LLP

WEIL, GOTSHAL & MANGES LLP

By: /s/ Edward M. Fox

Edward M. Fox

620 Eighth Avenue
New York, NY 10018
Direct Dial: (212) 218-4646
Direct Fax: (917) 344-1339
Email: emfox@seyfarth.com

***Attorneys for Wilmington Trust,
National Association, as indenture
trustee and collateral agent***

By: /s/ Paul R. Genender

Ray C. Schrock, P.C.
David J. Lender
Paul R. Genender
Jared R. Friedmann
Sunny Singh

767 Fifth Avenue
New York, NY 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007

***Attorneys for Debtors and Debtors in
Possession***

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CLEARY GOTTlieb STEEN &
HAMILTON LLP

MILBANK LLP

By: /s/ Thomas J. Moloney

Thomas J. Moloney
Sean A. O'Neal
Andrew Weaver
Katherine R. Lynch

One Liberty Plaza
New York, NY 10006
Telephone: (212) 225-2000
Facsimile: (212) 225-3999

Attorneys for ESL

By: /s/ Eric R. Reimer

Eric R. Reimer (admitted pro hac vice)
Thomas R. Kreller (admitted pro hac vice)
Robert J. Liubicic

2029 Century Park East, 33rd floor
Los Angeles, CA 90067

Andrew M. LeBlanc
1850 K Street, Suite 1100
Washington, DC 20006
Telephone: (202) 835-7500

Craig M. Price
55 Hudson Yards
New York, NY 10001
Telephone: (212) 530-5000
Facsimile: (212) 530-5219

Attorneys for Cyrus Capital Partners, L.P.

SO ORDERED:

Hon. Robert D. Drain
United States Bankruptcy Judge